



ECMI Policy Brief

No. 14/January 2010

Comparing EU and US Responses to the Financial Crisis

Karel Lannoo*

Since 2003, the EU and the US have conducted a vibrant regulatory dialogue on financial regulation, but domestic priorities seem to have taken precedence in response to the financial crisis. This paper compares the institutional and regulatory changes occurring on both sides of the Atlantic. On the institutional side, it compares macro- and micro-prudential reforms. On the regulatory side, it compares four key areas: bank capital requirements, reform of the OTC derivative markets, and the regulation of credit ratings agencies and hedge funds. It concludes by highlighting certain implications for the regulatory dialogue.

The EU and the US are in the midst of a fundamental institutional and regulatory overhaul in response to the financial crisis. This process is primarily driven by domestic agendas, but G-20 commitments also come into play. The final outcome of the reforms is not yet known, but policy frameworks differ substantially on both sides. On the EU side, the initiative is primarily with the EU Commission and the member states in the EU Council, and here the contours are clear. On the US side, the initiative is with Congress, and changes every day. Senate proposals, for example, differ fundamentally from those of the White House. Hence, an analysis of the final shape of the US regulatory overhaul is part guesswork.

After the bankruptcy of Lehman, the EU and the US saved their financial systems through massive state aid, with equity participation and debt support for the financial sector. Their central banks, primarily the Bank of England, the European Central Bank (ECB) and the Federal Reserve have provided massive liquidity to the financial system, and have, primarily in the case of the UK and the US, bought securities directly in the market, otherwise known as quantitative easing.

The Institutional Response

On both sides of the Atlantic, the role of central banks is pivotal to the debate on the adaptation of the structure of financial oversight. Although the end result is not yet fully

known, it is clear that there is a firm consensus among the EU member states for structural reform, which will, over time, lead to a more integrated structure for financial supervision. Some EU member states have also engaged in reforming their domestic supervisory structure. On the US side, much will depend on the outcome of initiatives taken in Congress. Congress seems to be heading for a more fundamental reform of the US supervisory system, an opportunity the White House evidently missed. Capitol Hill's recent moves are focused on reining in the powers of the Fed, whereas the White House proposed very different solutions. This also runs counter to what is happening in the EU.

The Macro-Prudential Side

The Council of Finance (Ecofin) Ministers on 9 June 2009 agreed upon a new structure of supervision in the EU, essentially consisting of four new entities: a European Systemic Risk Board (ESRB) and a European System of Financial Supervisors (ESFS), which comprise three functional authorities (see figure below). The Council thereby largely implemented the proposals of the de Larosière report. The Council conclusions describe the framework and responsibilities of the new supervisory bodies in great detail. Successively, they were laid down in draft EU legislation, which was provisionally adopted by the finance ministers on 2 December 2009, awaiting the decisions of the European Parliament. The implementation

* Karel Lannoo is Chief Executive of CEPS.

Additional input to this paper was provided by Diego Valiante (on OTC markets) and Piero Cinquegrana (on credit rating agencies). The author also benefited from an ECMI/CEPS debate on 7 October 2009 on Transatlantic Responses to the Crisis, with Hal Scott (Harvard Law School) and David Wright (EU Commission) as speakers.



Papers in the ECMI Policy Brief series provide insights into regulatory initiatives that affect the European financial landscape. They are produced by specialists associated with the European Capital Markets Institute, which is managed and staffed by the Centre for European Policy Studies (CEPS) in Brussels. Unless otherwise indicated, the views expressed are attributable only to the authors in a personal capacity and not to any institution with which they are associated.

of both decisions, however, still raises problems of a conceptual nature for the ESRB and of an operational nature for the ESFS.

The ESRB will be at the centre of the new system in the EU, even if this body is only consultative. Its twelve-member Steering Committee is composed of the seven European System of Central Banks (ESCB) members (including the President of the ECB), the three chairs of the European Supervisory Authorities (ESAs), a member of the EU Commission and the President of the Economic and Financial Committee (EFC). The dominance of central bankers in the ESRB's new governance structure is even clearer in its General Board, which comprises (apart from the Steering Committee members) all the central bank governors of the EU²⁷.

The ESRB will reside within the ECB and rely on the analytical and administrative services and skills of this well-reputed and established institution. The ESRB will thus also be controlled by the ECB. The finance ministers have only one representative in the ESRB. Notwithstanding the declaration of the finance ministers on 9 June 2009 that they want to be in the driver's seat, the power at the top of the new structure will reside with central bankers.

The task is now essentially for the ECB to bring the ESRB into existence. Although the ESRB can count on formidable back-office support from the ECB, it will face significant conceptual and institutional challenges, related to the core function of the new body: to define, identify and prioritise all macro-financial risks. The ECB needs to realise that the responsibility it takes on in assuming this task could negatively impact its reputation in the future, and eventually its independence in setting monetary policy.¹ Acting on possible macro-financial threats could contravene the ECB's price stability objectives. Hence, in order to preserve monetary policy independence, the ESRB should be sufficiently detached from the ECB.

In the US, the White House plan gives the Fed a greater role in micro-prudential supervision, thereby ensuring the supervision of all systemically important firms. By contrast, macro-prudential supervision would move to the Financial Services Oversight Council (FSOC). The Secretary of the Treasury will chair this new body with the participation of all the chairs of the relevant supervisory authorities: the Fed, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the future Consumer Financial Protection Agency, the Securities and Exchange Commission, the Commodity and Futures Trading Commission, the Federal Deposit Insurance Corporation and the federal Housing Finance Agency. Also, the US House Wall Street Reform Act and Senate Banking Committee proposals would create an agency to monitor and address systemic risks posed by large financial companies separate from the Fed.² This agency will have the authority to impose stricter prudential rules and to break up financial companies to prevent them from being 'too big to fail'. It will allow the Secretary of the Treasury to make a systemic risk assessment of a financial company. The House Act will curtail the powers of the Fed to provide emergency lending, which could only occur upon the written determination of the Council, and after written consent of the Secretary of the Treasury.

Hence, concerning macro-prudential supervision, the main difference between the EU and US resides in the role of the central bank. In the US, the Treasury will take the central role, and the FSOC's decisions will be binding. In Europe, the ESRB will be controlled by the central bankers, but will act in an informal and consultative capacity. Given the difficulty of defining and identifying systemic risk, the European solution of creating a purely consultative body, separate from the central bank, finance ministers or supervisors, is the right way forward. It respects their respective roles in financial supervision and monetary policy, and protects them from the fall-out of erroneous

Table 1. Proposed institutional reforms in the EU and US

	EU	US White House	US House/Senate Proposals
Macro prudential	European Systemic Risk Board (only consultative, based within ECB)	Financial Services Oversight Council (run by US Treasury)	Financial Services Oversight Council (run by US Treasury)
Micro prudential	European System of Financial Supervisors : network of three functional EU supervisory authorities with legal personality	<ul style="list-style-type: none"> - Greater role for Fed - Merger of OCC and OTS - Creation of Consumer Financial Protection Agency 	<ul style="list-style-type: none"> - Fed shrinks back to monetary policy (Senate) - Single financial regulator (Senate) - Merger of OCC and OTS (House Act) - Federal insurance regulator (House Act) - Consumer Financial Protection Agency

¹ It should be recalled that the ECB already has a committee under its roof with responsibility for some of the functions expected of the ESRB. Its Banking Supervisory Committee (BSC) brings together banking supervisors of all the EU countries, and not only the eurozone, to discuss macro-prudential and financial stability issues. In response to criticism on the lack of macro-prudential oversight in the EU, the ECB explicitly indicated in 2001 that its Banking Supervision Committee would perform that role. See Economic and Financial Committee (EFC), Report on financial crisis management (Brouwer 2 report), July, 2001, p. 7. It is expected that as a result of the crisis financial stability will become a more pronounced objective of the ECB. See Paul De Grauwe and Daniel Gros, *A New Two-Pillar Strategy for the ECB*, CEPS Policy Brief No. 191, Brussels: CEPS, June 2009, available from www.ceps.eu.

decisions. Questions could be raised, however, about the composition of the ESRB, which is almost entirely in the hands of central bankers. A monolithic composition may prevent out-of-the-box thinking, which is why this bubble was missed.³

² The "Wall Street Reform and Consumer Protection Act of 2009" (H.R. 4173) was adopted by the House of Representatives on 11 December 2009.

³ See "If Fed Missed This Bubble, Will It See a New One?", *New York Times*, 6 January 2010.

The micro-prudential side

The most important change on the EU side is the creation of the European System of Financial Supervisors (ESFS). The ESFS will be composed of three authorities: the European Banking Authority (EBA), the European Insurance and Occupational Authority (EIOPA) and the European Securities Market Authority (ESMA). The creation of these three authorities could be seen as a simple upgrade of the existing committees with similar names. However, their status and tasks have changed dramatically. The authorities will become separate legal entities, with supervisory responsibilities (such as the participation in supervisory colleges of international groups and the control of national supervisory authorities) and extensive regulatory tasks (such as the realisation of a single rulebook and the consistent application of EU law). While a lack of cooperation of supervisors during the crisis amply demonstrated the need for regime change, the workload of the new committees is daunting.

In the US, the lack of reform in securities and insurance supervision in the White House proposals is disappointing. The failure of the securitisation market as well as the regulatory cracks in US insurance supervision called for a radical reform. There are few arguments to justify the separation of the SEC and the CFTC. Moreover, the case of AIG highlighted the need for a single US insurance supervisor. Seen from Europe, it is as if the White House is incapable of countering vested interests. On the other hand, the creation of a Consumer Financial Protection Agency as a new entity is something to be applauded. Consumer protection matters may get lost in the functional EU structure.

Given these rather timid US administration proposals, it is not surprising that parts of Capitol Hill are calling for more intrusive regulation. The 1,136-page plan by Senator Christopher Dodd, presented on 10 November 2009, differs in major respects from both the White House and Congress plans. The proposal would merge the current federal supervisory oversight of the banking system from four agencies into one new agency, stripping these powers from the Federal Reserve. According to observers, the Fed has been under more intense attack in Capitol Hill than at any time in recent decades.⁴ The Securities and Exchange Commission, on the other hand, would gain greater authority and more resources under Senator Dodd's plan.

The House 1,500-page Wall Street Reform and Consumer Protection Act, voted on 11 December 2009, treads the middle ground between the White House and Senate proposals. It does not yet propose a single regulator, but creates a federal insurance regulator, introduces more control of the Fed by the Treasury, and increases the powers of the SEC. It maintains some proposals of the White House plan, such as the merger of the OCC and OTS, and the creation of the Consumer Financial Protection Agency.

The Regulatory Response

Lawmakers on both sides of the Atlantic face a busy regulatory agenda. It comprises a series of measures following on commitments in the G-20 context and/or responses to domestic shortcomings highlighted by the crisis. We will compare the regulatory responses in four exemplary areas: bank capital requirements, the centralisation of OTC markets, the regime of credit rating agencies and the regulation of hedge funds.

Bank capital requirements

Current capital regulation, the so-called Basel II plan, requires a major overhaul, given the depth of the crisis and the fallacy of the present framework. So far, policy-makers have been wary of completely scrapping a hard-won agreement, and have reverted instead to further amendments and add-ons. The Basel capital adequacy rules, which were implemented in the EU with the Capital Requirements Directive, serve as the centrepiece of prudential regulation of the banking sector. Initially proposed in 1988, the rules were substantially amended in 2005, generalising the use of credit ratings for risk weightings in the external ratings-based approach, and the use of internal models for more advanced financial institutions (Basel II). Basel sets a minimum capital requirement of 8% for the banking book, but the differentiation of risk weightings prevented supervisors from noticing the growing degree of leverage in the financial system. However, the US has not yet implemented the Basel II changes, fearing that it would reduce the level of core capital. It has now committed to do so by 2011, but only for the big top 20 banks, as it had always made clear. The US applies the simpler Basel I framework for the rest of its banking system, and a maximum leverage ratio.

In reaction to the limitations of the framework, supervisors on both sides have made changes to the existing rules, and have agreed on additional building blocks. Since the start of the crisis, EU regulators have already made two sets of amendments to the Basel framework. One was agreed in April 2009; a second set is still on the table. A widely discussed amendment both in the EU and the US is the 5% 'skin in the game' requirement. It mandates banks to hold at least 5% (initially 10%) of the securitisation issuance in credit risk transfer products, in order to provide the incentive to monitor in 'originate and distribute' activities.

In Pittsburgh, the G-20 stated that "all major G-20 financial centres commit to have adopted the Basel II Capital Framework by 2011," but added that "the quantity and quality of bank capital" needs to be improved. The G-20 recommended countercyclical buffers (dynamic provisioning), a leverage ratio, and liquidity requirements.⁵ One gets the impression that leaders, mainly in the EU, are unable or unwilling to accept that Basel II should be scrapped entirely, in favour of a simpler and more transparent capital regime.

⁴ See "Under Attack, Fed Chief Studies Politics", *New York Times*, 11 November 2009.

⁵ Detailed proposals along these lines were made by the Basel Committee on 17 December 2009.

Divergent accounting standards make the comparison of capital requirements difficult, an element on which the EU and the US remain at some distance apart. The EU has adopted International Financial Reporting Standards (IFRS), whereas the US continues to apply its own standards (US GAAP – Generally Accepted Accounting Principles). On some key elements of a bank's balance sheet, IFRS and USGAAP are entirely incomparable. IFRS deals with gross exposures, while under GAAP, derivatives are represented at their net value, resulting in entirely different balance sheets, and presenting EU banks as being overleveraged.⁶ The US SEC has now adopted a roadmap for adopting IFRS by 2014, but many uncertainties lay ahead.

The regime of credit rating agencies

Rating agencies were an early victim of the financial crisis. Already in September 2007, a consensus emerged that rating agencies were to blame for part of the trouble, after having been threatened several times before with regulatory action. The implementation of new regulation differs importantly, however.⁷

In spite of the much proclaimed US-EU transatlantic dialogue, regulation of credit rating agencies (CRAs) remains an area of fundamental divergence and contention between the world's two largest economic blocs. On 24 April 2009 the European Parliament and European Council adopted the Commission's proposal for a regulation ('the EU regulation'). The US Congress approved The Credit Rating Agency Reform Act ('the Act') on 29 September 2006, which was implemented in different SEC rules. Although the EU and US approaches share certain principles, such as greater transparency and organisational requirements concerning conflicts of interest and corporate governance, the philosophies underlying the interventions are quite different.⁸

The EU approach depends on a framework of strict surveillance of methodologies and ratings and detailed registration requirements. The EU regulation cements the status quo, by raising barriers of entry in the rating business and providing an implicit recognition to registered CRAs. By contrast, the Act specifically prohibits the SEC from interfering with ratings and methodologies, aiming at reducing investors' over-reliance on ratings and injecting competition in the CRA market. Since the Act's approval, the SEC has granted Nationally Recognized Statistical Rating Organization (NRSRO) status to 11 different agencies and proposed to eliminate references to ratings in regulation for broker-dealers, money market funds and investment companies (though amendments to the rules have yet to be approved).

⁶ See, for example, the case of Deutsche Bank, one of the few banks reporting under both standards.

⁷ For a more detailed comparison, see Piero Cinquegrana, "The Reform of the Credit Rating Agencies: A Comparative Perspective," May 2009, available from www.eurocapitalmarkets.org.

⁸ On 12 June 2009 the European Commission asked the Committee for European Securities Regulators (CESR) to issue technical advice on a framework of mutual recognition toward Canada, USA and Japan for CRA regulation.

The two different approaches stem from different analyses of the industrial organisation of the ratings business. On the one hand, US authorities believe that they can re-establish a competitive, reputation-driven market for ratings by eliminating the regulatory license and enhancing competition and transparency. In this view, regulation has established a state-sanctioned oligopoly, forcing investors to use ratings of registered CRA. By eliminating references of ratings in regulation, CRAs would compete on the quality of ratings and investors would be free to choose the agency they trust the most.⁹

On the other hand, EU authorities believe that ratings shopping is dangerous because it would lead to a 'race to the bottom' with issuers paying for the highest ratings and financial companies in the position to choose whatever rating fits their purposes. The proposal implicitly acknowledges that ratings are an essential component of risk-sensitive prudential regulation and that other market-based measures would heighten the pro-cyclicality of the capital requirements regime. In short, EU authorities aim to promote CRAs' accountability through supervision, whereas US authorities prefer market discipline through transparency and competition.¹⁰

Centralisation of OTC derivatives markets

Current proposals in the EU and US are driven by similar intentions. However, the devil is in the detail, so in the end the regulatory approaches of both parties could substantially diverge.¹¹

In the US, three main legislative texts have been circulating, and the text is currently being discussed in the US Senate. The European Commission drafted two communications (July and October 2009), and legislative proposals will appear by mid-2010. The regulatory intervention in the US will be accomplished through ad hoc regulation, while in the EU the Commission will amend existing directives and propose new rules. Both regulators aim at ensuring financial stability for the largest global financial market. The two proposals, therefore, envisage a set of measures to achieve greater transparency and a safer, more stable market infrastructure, in order to mitigate counterparty risk and encourage a more responsible use of these complex instruments.

Although they share high and valuable commitments, the current texts differ in the detail in several aspects. On the clearing side, OTC derivatives will be gradually pushed towards centralised solutions, mainly central counterparty clearinghouses (CCPs). In the EU this will happen by

⁹ The House Act of 11 December 2009 would require additional disclosures by and internal controls for credit rating agencies.

¹⁰ On 28 October 2009 the House Financial Services Committee approved the H.R. 3890, the Accountability and Transparency in Rating Agencies Act, introduced by Congressman Kanjorski (D-PA). If approved by both the House floor and Senate, this piece of legislation brings the US a step closer to the EU by making CRAs legally liable for their ratings and imposing stricter organisational requirements on conflicts of interest and corporate governance.

¹¹ For more, see Diego Valiante, "Shaping reforms and possible reforms for OTC derivatives", forthcoming in ECMI, 2010.

pushing all standardised contracts on CCPs, disregarding the difference between standardised and CCP-eligible derivatives. In the US, however, only eligible contracts will be centrally cleared by derivatives clearing organisations (DCOs), and only if both parties are dealers and/or major swap participants, and after the approval of both SEC and CFTC. The authorities may force DCOs to accept a derivative. For contracts that are not centrally cleared, legislators on both sides of the Atlantic will impose higher capital charges and margin requirements. The EU Commission is proposing to extend capital charges for everyone and margin requirements for non-financial institutions using derivatives only above a certain threshold. The US, instead, exempts from these requirements non-financial firms, “identified banking products,” and positions held for hedging or risk management purposes. This exemption increases the range of products that will be eligible for exemption.

Both proposals will push the trading of centrally-cleared derivatives on organised trading venues (exchanges or ATSs). The European Commission is discussing the extension of the 2004 Market in Financial Instruments Directive (MiFID) to all standardised derivatives, which implies huge changes in trading practices.

As stated previously, transparency plays a pivotal role in forthcoming legislation. Again, the two positions differ, as US authorities will only publish data at aggregate level with the possibility to receive individual data only on a confidential basis. EU authorities, instead, may in addition publish information on single trades. Data repository will be mandatory for all transactions in the EU and for non-centrally cleared transactions in the US.¹² On both sides of the Atlantic competition between multiple data repositories does not seem to be a source of concern, even though the US will probably converge on the DTCC model.

On supervision, while the US designed a co-habitation system between CFTC and SEC respectively for commodity and securities derivatives, the EU is still in a period of transition regarding its supervisory architecture, following the de Larosiere proposal. However, cooperation at G-20 and EU-US levels may help to make final texts more comparable.

Finally, the US legislative act calls for limiting the stake of frequent users of derivatives in the ownership of DCOs below the 20%. This rule aims at containing conflicts of interests when DCOs should decide the accessibility of a derivative transaction to central clearing.

The supervision of hedge funds

Another contentious issue is the role and oversight of hedge funds in the crisis.¹³ Further to the G-20’s commitment in London to regulate all institutions, markets and instruments,

on 29 April 2009 the EU proposed a very detailed draft directive for the regulation of Alternative Investment Fund Managers (AIFM), including hedge funds and private equity. The US, on the other hand, has not yet gone that far, but is considering a lighter form of regulation in the form of registration requirement, as with CRAs. Neither jurisdiction had a specific regulatory scheme for hedge funds beforehand.

As with CRAs, the regulation of hedge funds had already been on the agenda before the crisis started. In the EU, European socialist parties have been campaigning since 2006 for more supervision of hedge funds and private equity. In the US, the SEC enacted a Hedge Fund Rule in 2006, but the rule was invalidated by the US Court of Appeals for the District of Columbia. The broad motivation for more regulation is similar on both sides: the current absence of oversight; the lack of transparency and public disclosure; the ‘retailisation’ of hedge funds; instances of fraud; and concern of systemic risk.

The EU’s draft directive applies to *managers* of alternative investment funds – wherever they are registered – not only to the funds. In this sense, and by adding a reciprocity provision, the Commission ensures that the whole non-harmonised funds sector is covered. The draft directive applies some ‘generous’ thresholds: it will not be applicable to leveraged funds below €100 million, and to non-leveraged funds below €500 million. Such thresholds do not apply to investment advisers and asset managers that fall under the EU’s MiFID (brokers) or UCITS (investment funds) rules. A new US proposal by Democratic Rep. Paul Kanjorski of Pennsylvania would require private pools of capital with more than \$30 million in assets to register with the Securities and Exchange Commission, with the exception of venture capital funds. Senator Dodd’s proposal would require that hedge funds with more than \$100 million in assets be registered with the SEC and disclose financial information. Practically, this would mean that affected funds would have to disclose information about their fees, risks, trading practices, and other elements of their business, which brings the proposal closer to what is being discussed in the EU. The Private Fund Investment Advisers Registration Act, part of Title V of the new House Act, requires registration under the Investment Advisers Act of 1940 of most private fund advisers, including advisers of hedge funds and private equity firms, as well as new record-keeping and disclosure requirements. US proposals thus seem to go in the same direction as what is on the table in the EU.

Interestingly, opponents of more regulation of hedge funds advance the same argument on both sides: the danger of the loss of competitiveness of the domestic capital market. They seem to have missed the momentum behind the G-20 process.

¹² This was also withheld in the House Act of 11 December 2009.

¹³ For more, see Karel Lannoo, “Bringing hedge funds into the regulatory mainstream”, June 2009, available from www.eurocapitalmarkets.org; Nixon Peabody, “The Inevitability of Hedge Fund Regulation in the U.S. April 2007, available from www.HG.org.

Table 2. Financial regulation reforms in the EU and US

	EU	US
Bank capital requirements	Amendments to capital requirements directive - 5% securitisation - More capital for trading	Basel II to be implemented by 2011 for large firms - 5% securitisation
OTC markets	All standardised contracts centrally cleared	Only eligible contracts centrally cleared
Credit rating agencies	April 2009 regulation: strict regulation of industry	Registration requirement, tighter conduct regulation
Hedge funds	April 2009 draft directive	Proposals for registration, more disclosure

Conclusion

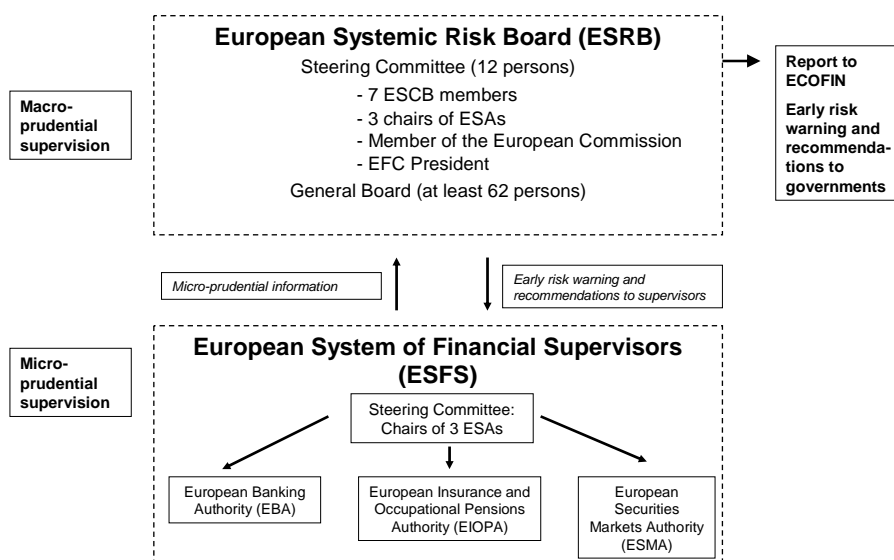
On the institutional side, the EU and the US seem to be moving in radically different directions, with (most likely) reduced powers for the Fed in the US, and more for the ECB in Europe. The US Financial Services Oversight Council in the US will be chaired by the Secretary of the Treasury, and composed of all regulators, including the Fed. The EU Systemic Risk Board, on the other hand, will be chaired by a central banker, most likely the ECB president, and largely composed of central bank representatives, with only one

delegate from among the EU's finance ministers. On the micro-prudential side, the EU is gradually moving towards a more integrated model of functional supervision, whereas the US proposals do not seem to go far enough at the present time.

On the regulatory side, where the EU was initially in the lead, both blocs have recently started to converge, with proposals on credit rating agencies and hedge funds, largely as a result of initiatives in the US Congress. Hence, even if institutional responses differ, regulatory responses are more aligned. In addition, this process is now helped by G-20 commitments.

The concern, however, is that parties may not grant equivalence. Recent rules, such as the EU's CRA regulation and draft hedge funds directive, set tight conditions for third country access to the EU market, which have prompted certain groups to raise concerns about the competitiveness of the EU financial market. Interestingly, similar objections are heard in the US regarding Congress initiatives. The continuation of the dialogue, at all levels, is therefore necessary to ensure an unambiguous response to the crisis and to avoid unintended consequences. This is even more imperative in the G-20 context, where the US and EU need to show their global partners that they are adopting similar solutions.

Figure 1. The new European supervisory structure



Source: Adapted from European Commission (2009).

About ECMI

The European Capital Markets Institute (ECMI) was established as an independent non-profit organisation in October 1993, in a collaborative effort by the European Federation of Financial Analysts Societies (EFFAS), the Federation of European Securities Exchanges (FESE) and the International Securities Market Association (ISMA), now the International Capital Market Association (ICMA). ECMI is managed and staffed by the Centre for European Policy Studies (CEPS) in Brussels. Its membership is composed of exchanges, banks, trade associations and academics.

European capital markets have experienced rapid growth in recent years, corresponding to the gradual shift away from relationship banking as a source of funding and at the same time, have had to absorb and implement the massive output of EU-level regulation required to create a single market for financial services. These developments, combined with the immense challenges presented to European financial institutions by the globalisation of financial markets, highlight the importance of an independent entity to undertake and disseminate research on European capital markets.

The principal objective of ECMI is therefore to provide a forum in which market participants, policy-makers and academics alike can exchange ideas and opinions concerning the efficiency, stability, liquidity, integrity, fairness and competitiveness of European capital markets and discuss the latest market trends. These exchanges are fuelled by the publications ECMI regularly produces for its members: quarterly newsletters, annual reports, a statistical package, regular commentary and research papers, as well as occasional workshops and conferences. ECMI also advises European regulators on policy-related matters, acts as a focal point for interaction between academic research, market sentiment and the policy-making process, and promotes a multidisciplinary and multidimensional approach to the subject.



European Capital Markets Institute

c/o Centre for European Policy Studies (<http://www.ceps.eu>)

Place du Congrès 1 • 1000 Brussels • Tel: 32(0) 229.39.11 • Fax: 32(0) 219.41.51

Website: <http://www.eurocapitalmarkets.org> • E-mail: info@eurocapitalmarkets.org